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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
ACDA-07 TRSE-00 EB-07 COME-00 FEA-01 ERDA-05 NRC-05
OES-06 AID-05 EUR-12 XMB-02 FRB-03 IGA-02 DHA-02 /113 W
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R 102024Z JAN 77
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 2000
INFO AMEMBASSY BOGOTA
AMEMBASSY GUATEMALA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 0134

E.O. 11652: GDS
TAGS: MASS, ENRG, EFIN, PFOR, SHUM, NU
SUBJECT: AMBASSADOR'S MEETING WITH PRESIDENT SOMOZA

REF: MANAGUA 0131 (NOTAL)

1. DURING THE COURSE OF CORDIAL ONE-HOUR MEETING WITH PRESIDENT SOMOZA ON JANUARY 7, 1977, THE FOLLOWING SUBJECTS WERE DISCUSSED: A) P&A OF SIX A-27'S; B) GEOTHERMAL ENERGY PROJECT; C) ROAD-BUILDING EQUIPMENT PURCHASES; D) COLOMBIA'S OFF-SHORE OIL EXPLORATION; AND E) HUMAN RIGHTS AND IDB LOAN, WHICHIS SUBJECT OF A SEPARATE TELEGRAM (SEE REFTEL).

2. A.P&A OF A-37'S. COMUSMILGP, CO. MATTHEWS, ACCOMPANIED ME TO SEE SOMOZA AND REVIEWED THE STATUS OF THE PRICE AND AVAILABILITY OF THE SIX A-37'S REQUESTED BY THE GON. BASED ON THE ASSUMPTION THAT FOUR COUNTRIES WILL PURCHASE THE A-37'S, THE PURCHASE PRICE IS APPROXIMATELY $7 MILLION FOR SIX AIRCRAFT, AND WITH LOGISTICAL SUPPORT, SPARE PARTS AND PILOT/MECHANIC TRAINING, THE TOTAL PACKAGE
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IS ABOUT $11 MILLION. AIRCRAFT ARE SCHEDULED FOR DELIVERY DURING LAST QUARTER OF CY 1980. SOMOZA EXPRESSED SURPRISE AT RECENT COST ESCALATION OF THE A-37'S, AND HIS DISTASTE FOR SPENDING GOVERNMENT FUNDS ON ARMS. HOWEVER, HE SAID HE WAS INCREASINGLY CONCERNED ABOUT HONDURAN ARMS PURCHASES AND WAS FORCED TO RE-EVALUATE HIS ARMS ACQUISITION POLICY.

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B. GEOTHERMAL ENERGY PROJECT. SOMOZA REPORTED THAT GENERAL ELECTRIC CORP HAD NOT YET MADE A FORMAL OFFER FOR THE SUPPLY OF GEOTHERMAL GENERATING EQUIPMENT AND PLANT FOR THE MOMOTOMBO GEO-THERMAL ENERGY PROJECT BUT EXPECTED IT TO BE FORTHCOMING SOON. HE SAID THAT THE SIZE OF THE TURBINE HAD NOT YET BEEN DECIDED BUT SPECIFICATIONS WOULD BE AVILABLE BEFORE THE END OF FEBRUARY.

C. ROAD-BUILDING EQUIPMENT. WE REVIEWED THE SIGNIFICANT SAVINGS (OUR ESTIMATE IS $5.8 MILLION) THAT WOULD ACCRUE TO THE GON FROM PURCHASING 300 DUMPTRUCKS AND 60 FRONT-END LOADERS FROM U.S. SUPPLIERS RATHER THAN FROM SPAIN. SOMOZA STATED THAT HE WAS IM-PRESSED BY OUR ESTIMATED $5.8 MILLION SAVINGS ON THESE TWO ITEMS OF EQUIPMENT AND HE ASKED FOR A COPY OF OUR CALCULATIONS AND ESTIMATES,

WHICH WE AGREED TO PROVIDE HIM. HE SAID THAT HE HAD NOT CAREFULLY EXAMINED THE FIGURES BUT THE DISCREPANCY WAS TOO LARGE TO IGNORE, DESPITE THE FACT HE WAS COMMITTED TO PURCHASE A CONSIDERABLE AMOUNT OF EQUIPMENT UNDER THE $40 MILLION SPANISH CREDIT. WE AGAIN EMPHASIZED THAT WE EXPECTED FAIR AND EQUITABLE TREATMENT IN GON PROCUREMENT OF ROAD-BUILDING AND OTHER EQUIPMENT, AS A SIGN OF HEALTHY RECIPROCITY. SOMOZA SAID THAT HE DID NOT DISAGREE, BUT THEN LAUNCHED INTO A STRONG CRITICISM OF THE EXIMBANK FOR DELAYS AND LACK OF RESPONSIVENESS IN GRANTING A SMALL $8 MILLION CREDIT WHEN A $40 MILLION ROAD-BUILDING EQUIPMENT LOAN COMMITMENT WAS ORIGINALLY REQUESTED.

D. COLOMBIA'S OFF-SHORE OIL EXPLORATION. THE PRESIDENT SAID THAT OCCIDENTAL PETROLEUM WOULD START EXPLORATORY DRILLING ON NICARAGUA'S CONTINENTAL SHELF IN FEBRUARY WITHIN THE MARITIME AREA
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OVER WHICH COLOMBIA HAS VOICED A CLAIM. HE EXPECTED A CRISIS WITH COLOMBIA IN FEBRUARY, IF TECHNICAL DISCUSSIONS CONCERNING THE DELIMITATION OF THE CONTINENTAL SHELF DID NOT GET UNDER WAY SOON. HE SAID THAT TECHNICAL LEVEL CONTACT HAD BEEN MADE WITH THE GOC.
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